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C O N F I D E N T I A L SECTION 01 OF 02 NICOSIA 001970

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TAGS: [PGOV](#) [PREL](#) [PHUM](#) [ECON](#) [CASC](#) [EUN](#) [TU](#) [CY](#)  
SUBJECT: NEW CYPRUS PROPERTY LAW: TURNING THE SCREWS

REF: A. 05 NICOSIA 870  
[1](#)B. NICOSIA 1565  
[1](#)C. NICOSIA 1505  
[1](#)D. NICOSIA 1916

Classified By: Ambassador Ronald L. Schlicher, reasons 1.4 (b/d).

[1](#)1. (C) SUMMARY. New ROC legislation introducing stiff prison sentences for those buying Greek Cypriot property in the north has upped the stakes in the ongoing property war between Greek and Turkish Cypriots. Three non-Cypriot land-buyers have already been arrested under the new law, and more arrests are possible. Turkish Cypriot observers feel this is part of a deliberate strategy to increase pressure on their community, while distracting from Greek Cypriot foot-dragging on the UN settlement track. Many fear that the Green Line will be effectively closed -- and already frosty bicomunal relations worsened -- if the ROC begins arresting Turkish Cypriots. Greek Cypriot legislators tell us that their goal is not to go after Turkish Cypriots, but rather foreigners who "fraudulently" acquire property in the north. The bulk of foreigners investing in property up north are British, although some American citizens also live in the Turkish Cypriot areas and could theoretically be arrested under the new law. We will continue to monitor the situation in coordination with our British colleagues, and plan to propose changes to the language in our Consular Information Sheet. END SUMMARY.

NEW LAW TURNS UP THE HEAT  
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[1](#)2. (SBU) A new ROC law that went into effect on October 20 labels as a felony any "fraudulent" transactions involving real estate, and envisions a penalty of up to seven years imprisonment for those found guilty of the offense. The legislation -- which is designed to deter the exploitation of Greek Cypriot property in the "Turkish-occupied" north -- forbids the sale, renting, advertisement, or other use of property without the owner's permission. It also places a high standard of due diligence on prospective buyers, envisioning punishment for those who "acted with the intention of committing fraud" -- as well as for those who might "be reasonably expected to know" that they did not have the consent of the registered owner.

[1](#)3. (SBU) On November 22, local press reported that ROC police made the first reported arrests under the new law, detaining a Russian woman and her Latvian husband after they were discovered, while crossing the Green Line, to be in the possession of a real estate contract for property in the north. The woman was charged (presumably because the contract was in her name) and released on CYP 50,000 (\$114,000) bail pending trial on December 15. Another British citizen was arrested under similar circumstances on/about November 26, but reportedly released because the contract in his possession pre-dated the new legislation.

¶4. (C) The new law is the latest in a series of attempts by the ROC to deter foreigners from investing in the north, where the vast majority of land (an estimated 80-85 percent) was in Greek Cypriot hands prior to the 1974 war. In the spring of 2005, ROC authorities issued arrest warrants under previously existing legislation (ref a) for Turkish Cypriots and others who operated hotels on Greek Cypriot property in the north. Although these warrants never led to arrests or trials as far as we are aware (indeed, one Turkish Cypriot proved that the title to his hotel pre-dated 1974), they did have a dampening effect on the north's economically important construction and real estate and construction sectors.

¶5. (C) Nevertheless, development of Greek Cypriot property in the north has continued -- thanks in some measure to the establishment of a Turkish Cypriot Property Restitution/Compensation Commission (refs b, c, and previous). The Property Commission is designed to remove uncertainty in the Turkish Cypriot real estate market -- and get Turkey off the hook for violating the rights of Greek Cypriot property owners -- by providing compensation or restitution to pre-1974 deedholders.

¶6. (C) Hoping the ECHR will accept their Property Commission as a legitimate and "sufficient local remedy" (a ruling is expected this month), Turkish Cypriots are convinced that the new ROC law is a Greek Cypriot attempt to accomplish with domestic criminal legislation what they have been unable to do in European courts. The Turkish Cypriot public reaction to the new law has been swift and negative. "TRNC President" Talat said that the threat of arrest was a scare tactic that

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could virtually choke off traffic across the Green Line, since the vast majority of Turkish Cypriots work, live, or otherwise use at least some Greek Cypriot property.

¶7. (C) In an off-the-record conversation with us, "TRNC PM" Ferdi Soyer agreed with this assessment. He recalled "politically-motivated Greek Cypriot threats" to close the Green Line during an avian flu scare earlier in 2006. This time, he said, President Papadopoulos was "clearly trying to distract attention" from the fact that his foot-dragging in the UN process (ref d) and inflexibility in the EU (for example, refusing to discuss opening Ercan Airport, even in return for Varosha) had not brought Greek Cypriot voters any closer to their dream of getting their properties back. Soyer's guess was that the ROC would make some symbolic arrests under the new law in order to deter foreign investors -- but not risk a public-relations backlash by applying the legislation to "innocent Turkish Cypriots."

WHAT WILL IT AMOUNT TO?

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¶8. (C) Greek Cypriot observers appear to agree with Soyer, at least in his assessment that mass arrests of Turkish Cypriots are unlikely. Ionas Nicolaou, MP and Chairman of the ROC House Legal Affairs Committee, assured us that parliament's intent was not to persecute Turkish Cypriots, but to stop foreign developers and estate agents from exploiting Greek Cypriot property. He noted that prosecutors would have to prove that defendants intended to commit "fraud" by acquiring or profiting from property in the north -- a charge which could not reasonably be made against most average Turkish Cypriots forced by circumstance to live or work in Greek Cypriot houses.

¶9. (C) The fact that individual arrests under the new legislation must each be authorized by the Attorney General also suggests that mass arrests are not in the offing. One local journalist suggested to us this was testimony to the law's "seriousness;" it would be applied only in the most

egregious cases. Other observers have suggested to us that there is some confusion in the scope of the law, thus opening the door to possible challenge in European courts should it be enforced.

COMMENT: IMPLICATIONS FOR AMERICAN CITIZENS

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¶10. (C) The impact of this law will depend on how vigorously it is applied -- and there are several obstacles to effective enforcement. The people arrested so far were all caught red-handed with real estate documents in their possession; building cases against those who don't bring their contracts with them to the checkpoint will be significantly harder. The ROC may be hoping that a handful of arrests will have the desired effect of spooking foreigners away from the north Cyprus property market, although the confused public statements coming from Cypriot officials suggest they themselves have not yet decided on how broadly to apply this law. One near-certain result, however, will be a further deterioration in the frosty relations between Greek and Turkish Cypriots.

¶11. (C) The vast majority of third-country nationals investing in property up north are British, although there is a small number of Americans resident in the "TRNC" as well. We will continue to monitor the situation in coordination with our UK High Commission colleagues, who have just updated their public travel information to reflect the latest developments. Post will propose septel similar edits to our own Consular Information Sheet. END COMMENT.

SCHLICHER